



A Public Agency

NEW BUSINESS



STAFF UPDATE

To: SBWMA Board Members
From: Cliff Feldman, Recycling Programs Manager
Date: March 27, 2014 Board of Director's Meeting
Subject: Consideration of Introduction of Ordinance Implementing a Recycling Reporting System for Commercial Recycling Haulers

Recommendation

It is recommended that the SBWMA Board of Directors adopt Ordinance No. 002 - Recycling Reporting Requirements for Commercial Recycling Haulers (**Attachment A**) and move to introduce the ordinance.

Analysis

On May 23, 2013, October 24, 2013 and February 27, 2014 this item was included in the agenda for the monthly Board of Director's meetings. On November 7, 2013, February 13, 2014 and March 13, 2014, this item was presented to the TAC in detail. In these presentations Staff provided updates on progress in developing an SBWMA-wide Ordinance to implement reporting requirements for non-franchised commercial recycling haulers (e.g., paper recycling companies, scrap metal haulers, construction and demolition debris haulers, businesses that backhaul recyclables and/or compostables to distribution centers, etc.) in an effort to begin collecting diversion data that is currently unavailable. Implementation of reporting requirements assumes RethinkWaste will adopt an Ordinance requiring recycling hauling companies to submit quarterly reports on the volumes and types of recyclable materials that are collected in our service area. Data will be requested by Member Agency if available. Obtaining such data is critical for future waste diversion planning purposes, but it is not required for AB 939 compliance.

The Ordinance is provided as **Attachment A**. The Ordinance has been revised to reflect the recent discussions with the TAC and SBWMA legal counsel. These revisions include: changing the system from requiring permits to simply requiring applicants to register and then provide reports quarterly; significantly simplifying enforcement to only administer an administrative fine for non-compliance; establishing the Ordinance will become effective on January 1, 2015; and, including sections 2, 3 and 4 concerning severability and applicable Government Code sections.

The primary rationale for adopting this Ordinance is to enable RethinkWaste to develop a more complete picture of existing diversion efforts for the commercial sector, since the only diversion information currently available is provided by the Member Agencies franchised service provider, Recology San Mateo County. Based solely on the Recology data, the current commercial diversion rate for 2013 was 28%. The actual overall commercial diversion rate is likely much higher once we factor in diversion data from non-franchised haulers.

As the JPA is responsible for service area wide diversion (i.e., waste reduction, recycling and composting programs) planning, it makes sense for the JPA to implement one Ordinance as opposed to individual Member Agencies implementing separate Ordinances. It would also make it easier for companies that have to comply with the Ordinance to have one point of contact to direct questions and get registered in lieu of having to deal with multiple jurisdictions. It would also guarantee that data is collected for all Member Agencies instead of relying on

the Member Agencies individually to adopt and implement Ordinances as some Member Agencies may choose not to.

The Ordinance was crafted to encourage commercial recycling haulers to provide the needed data while the SBWMA's enforcement activities will be limited. In addition, the Ordinance is not intended to place an undue burden on recycling haulers nor require significant JPA resources to implement. The Implementation Schedule to commence this project is provided as **Attachment B**.

Background

At the May 23, 2013 Board meeting, staff shared the preliminary results of the research project on Non-Exclusive Franchise Options for Commercial Recycling. Staff explained the efforts of other public agencies in California that implemented systems to capture data from many of the independent recycling companies that haul recyclables. In addition, Staff explained how this could be accomplished in the SBWMA service area and why this data is critical for RethinkWaste to ascertain how best to focus its efforts in the pursuit of increasing diversion from the commercial sector which still contributes approximately two-thirds of all the garbage generated. The challenges faced and best practices employed were highlighted in order to guide RethinkWaste in developing a policy and program that would be successful and to provide detailed information to interested stakeholders during the stakeholder engagement process. Another staff report on this project was provided to the Board for its October 24, 2013 and February 27, 2014 meetings and this item was discussed in detail with the TAC at its November 7, 2013, February 13, 2014 and March 13, 2014 meetings.

Section 4.01(B)(1) of the Member Agencies Franchise Agreements with Recology provide the company the non-exclusive right to collect source separated recyclables and compost from commercial accounts. Therefore, the open market competition for the collection of recycling and compost which has always characterized our service area has been preserved. While Recology's commercial recycling collection services and commercial recycling outreach staff of nine full time employees are paid for through the Member Agency's solid waste rates, the businesses in the service area are not bound to subscribing to Recology's collection service. Many businesses offer commodities for sale in the marketplace, such as high-grade paper and corrugated cardboard, and many others backhaul recyclables and/or compostables to their distribution facilities (e.g., large grocery and chain stores).

In addition, per AB341 (California's Mandatory Commercial Recycling Law), commencing July 1, 2012, all businesses that generate four cubic yards or more of garbage per week or multifamily dwelling complexes of five units or more are required to recycle.

Fiscal Impact

The approved FY14 budget includes \$50,000 to develop and plan for the implementation of an SBWMA-wide Ordinance implementing a reporting system for commercial recycling haulers. Through a competitive procurement, Cascadia Consulting was contracted for \$45,000 to assist with this project. Some funds encumbered for the Cascadia contract but not anticipated to be spent in FY14 (i.e., prior to June 30, 2014) and the remaining funds in the budget will be used to pay for the software update needed for the online registration and reporting system anticipated to cost approximately \$10-15,000.

For future implementation and maintenance, staff will not be proposing any additional staff to administer this program but will rely on the support of outside contractors if needed. A preliminary estimate for a consultant for FY15 is \$15-20,000 and less for future years. Proposed funding will be provided in the draft FY15 budget to be presented at the May 22, 2014 Board meeting. Commercial recycling haulers required to register and submit

reports will be charged a nominal annual fee (likely less than \$100) to cover the SBWMA's costs to administer the Ordinance.

Attachments:

Attachment A – SBWMA Ordinance No. 002: Recycling Reporting Requirements for Commercial Recycling Haulers

Attachment B – Implementation Schedule



ORDINANCE NO. 002

ORDINANCE OF THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY ADOPTING RECYCLING REPORTING REQUIREMENTS FOR COMMERCIAL RECYCLING HAULERS

IT IS ORDAINED by the Board of Directors of SBWMA as follows:

SECTION I: The following ordinance regarding Commercial Recycling Reporting is adopted:

I. Findings

A. The Board of Directors finds that there is a need to implement a Reporting System for Commercial Recycling Haulers to begin collecting recycling diversion data that is currently unavailable.

B. Currently the Agency receives recycling diversion data only from the Member Agencies franchised recycling service provider, Recology San Mateo County. Based solely on the Recology data, the most recently reported annual commercial recycling diversion rate for Agency Service Area in 2013 was 28%.

C. Implementation of a Reporting System requiring Commercial Recycling Haulers to submit quarterly reports on the volumes and types of recyclable materials that are collected within the Agency Service Area would allow the Agency to develop a more complete picture of existing recycling diversion efforts for the commercial sector.

D. Implementing a Reporting System for Commercial Recycling Haulers will enable the Agency to capture data that is needed for future planning purposes related to increasing recycling diversion to better meet State mandates.

II. Purpose

A. This Ordinance establishes a system for registering Commercial Recycling Haulers who are performing services in the Agency Service Area and

receiving from them information on the volume and types of Recyclable Materials that they collect in the Agency Service Area. To achieve this reporting requirement, each Commercial Recycling Hauler will be required to submit to Agency a Recycling Report quarterly.

B. This Ordinance is not intended to preclude a Commercial Entity or a building or demolition contractor from contracting with more than one Commercial Recycling Hauler or from donating, selling or otherwise disposing or hauling Recyclable Materials.

III. Definitions

“Agency” means the South Bayside Waste Management Authority (SBWMA) or Rethink Waste, which is a joint powers authority comprised of the Member Agencies.

“Agency Clerk” means the SBWMA Board Secretary.

“Agency Service Area” means the service area comprised of the Member Agencies, which include the following: Town of Atherton, City of Belmont, City of Burlingame, City of East Palo Alto, City of Foster City, Town of Hillsborough, City of Menlo Park, City of Redwood City, City of San Carlos, City of San Mateo, sections of unincorporated San Mateo County, and West Bay Sanitary District.

"Applicant" means any person, business, firm, limited liability company, association, partnership, political subdivision, government agency, municipality, public or private corporation, or any other entity whatsoever who is required to register and report to the Agency.

“Board of Directors” means the governing body of the Agency.

“Collection Container” means any container used to store and collect Solid Waste, Targeted Recyclable Materials, Organic Materials, or any other material targeted for collection by a Recycling Hauler.

“C&D Debris” (“Construction and Demolition Debris” or “C&D”) means materials resulting from construction, renovation, remodeling, repair, or demolition operations on any Residential, Commercial or other structure or pavement.

"Commercial" means a business activity including, but not limited to, retail sales, wholesale sales, services, research and development, government, private schools, colleges and universities, non-profit, hospital, manufacturing, institutional and industrial operations, but excluding businesses conducted upon residential property which are permitted under applicable zoning regulations and are not the primary use of the property.

“Commercial Entity” means a Commercial business that generates Recyclable Materials and/or Organic Materials in the Agency’s Service Area.

“Commercial Recyclables” means Recyclable Materials generated by a Commercial business.

“Commercial Recycling Hauler” means a Person or Entity engaged in commercial hauling of Recyclable Materials in the Agency Service Area.

“Director” means the Executive Director of the Agency or designee.

“Discarded Material” means Solid Waste, Targeted Recyclable Materials, and Organic Materials placed by a Generator in a Collection Container and/or at a location that is designated for Collection pursuant to a Member Agency’s Code.

"Food Scraps" means a subset of Organic Materials including: (i) all kitchen and table food waste, and animal or vegetable fruit, grain, dairy or fish waste that attends or results from the storage, preparation, cooking or handling of foodstuffs, with the exception of animal excrement, (ii) paper waste contaminated with putrescible material, and (iii) biodegradable plastic food service ware.

“Generator” means any Person whose act or process produces Solid Waste, Targeted Recyclable Materials, or Organic Materials.

“Member Agencies” means the following jurisdictions: the cities of Belmont, Burlingame, East Palo Alto, Foster City, Menlo Park, Redwood City, San Carlos, and San Mateo; the towns of Atherton and Hillsborough; the County of San Mateo; and the West Bay Sanitary District.

“Organic Materials” means those materials that will decompose and/or putrefy and that the Agency permits, directs, or requires Generators to separate from Solid Waste and Targeted Recyclable Materials for collection in specially designated containers for Organic Materials collection. Organic Materials include Plant Materials, Food Scraps, paper contaminated with Food Scraps, biodegradable plastic food service ware, pieces of unpainted and untreated wood, and pieces of unpainted and untreated wallboard. No Discarded Material shall be considered Organic Materials, unless such material is separated from Solid Waste and Targeted Recyclable Material.

“Person” means any individual of Commercial Entity.

“Recycling Hauler” means an entity that engages in the activity of hauling or transporting Targeted Recyclable Materials and/or Organic Materials generated by Commercial businesses, but does not include haulers and transporters of

electronic scrap (as defined by California Public Resources Code §66273), universal waste, hazardous waste or radioactive waste.

"Recyclable Materials" means discarded commingled or source separated materials including C&D Debris that can be re-used, remanufactured, reconstituted, or recycled.

"Recycling Registration " means the registration of Commercial Recycling Haulers required by this Ordinance to provide information on Recyclable Materials and/or Organic Materials hauled in the Agency's Service Area.

"Recycling Report" means the report providing information on the volume and types of Recyclable Materials and/or Organic Materials transported by the Recycling Hauler in the Agency's Service Area.

"Solid Waste" means all putrescible and non-putrescible solid, semisolid, and liquid wastes, as defined in California Public Resources Code §40191.

"Targeted Recyclable Materials" means a subset of Recyclable Materials that includes: newspaper (including inserts, coupons, and store advertisements); mixed paper (including office paper, computer paper, magazines, junk mail, catalogs, brown paper bags, paperboard, paper egg cartons, telephone books, books, colored paper, construction paper, envelopes, legal pad backings, shoe boxes, cereal and other similar food boxes); chipboard; corrugated cardboard; paper milk cartons; glass containers of any color (including brown, blue, clear, and green); aluminum (including food and beverage containers, foil, small pieces of scrap metal); scrap metal (ferrous and non-ferrous) steel, tin or bi-metal; plastics (i.e., both thermoform and thermoset plastics); and C & D Debris.

IV. Commercial Recycling Hauler Registration

A. Commercial Recycling Haulers shall register with the Agency and provide Recycling Reports as set forth in this Ordinance in the Agency Service Area.

B. Registration shall be in writing and submitted in a format specified by the Director, and pay administrative fee to the Agency in an amount established by the Board of Directors.

C. Registration of a Commercial Recycling Haulers shall be renewed every two years.

V. Appeals

Persons or Commercial Entities that are dissatisfied with any decision or determination of the Director pursuant to this Ordinance shall have the right to appeal that decision to the Board of Directors if the appeal is filed with the Agency Clerk fifteen (15) days of the decision of Director.

VI. Reporting Requirements

A. Commercial Recycling Haulers shall be required to submit a report each calendar quarter to the Agency providing data on the volume and type of Recyclable Materials hauled during that calendar quarter from Commercial Entities in the Agency Service Area. To the extent feasible, the data provided in the Recycling Report should be attributable to the jurisdiction of the Member Agency where it was generated. The Recycling Report shall be due to the Agency thirty (30) calendar days after the end of each calendar quarter as follows: First Quarter (January-February-March) report due April 30; Second Quarter (April-May-June) report due July 30; Third Quarter (July-August-September) report due October 30; Fourth Quarter (October-November-December) report due January 30.

The format of the Recycling Report and submittal guidelines shall be determined by the Director. The data to be included by the Commercial Recycling Hauler in the Recycling Report must provide to the furthest extent possible the specific volumes and types of Recyclable Materials by weight (e.g., tons) and by the source of generation.

VII. Civil Administrative Penalties

Recycling Haulers that fail to comply with any or all of the provisions of this Ordinance shall be subject to the issuance of civil administrative penalty in the amount of \$100 for the first failure to comply, \$250 for the second failure to comply, and \$500 for each subsequent failure to comply.

A. The Director shall establish the procedures and notification protocol to administer civil administrative penalties.

VIII. Enforcement

Except as otherwise expressly provided, the provisions of this Ordinance shall be administered and enforced within the Agency Service Area by the Director or other staff and enforcement officials designated by the Director. The remedies set forth herein are cumulative to any other remedy available to the Agency or Member Agencies.

IX. Effective Date:

This Ordinance shall not be effective until January 1, 2015. It is the intent of the Agency to provide Commercial Recycling Haulers with advance information and assistance with the terms of this Ordinance.

SECTION 2: Severability. If any section, subsection, sentence, clause, phrase or portion of this Ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The SBWMA Board hereby declares that it would have adopted this Ordinance and such section, subsection, sentence, clause, phrase or portion may be declared invalid or unconstitutional.

SECTION 3: Pursuant to Section 36937 of the Government Code of the State of California, this Ordinance shall not take effect and be in full force and effect until thirty (30) days from its final passage and pursuant to Section IX above shall not be in effect until January 1, 2015.

SECTION 4: The Clerk of the Board shall cause this Ordinance to be published and posted in accordance with the requirements of Section 36933 of the Government Code of the State of California.

Introduced this _____ day of _____, 2014.

PASSED AND ADOPTED as an Ordinance of the Board of Directors of the SBWMA at a regular meeting thereof held on the _____ day of _____, 2014.

AYES, BOARD MEMBERS: _____

NOES, BOARD MEMBERS: _____

ABSENT, BOARD MEMBERS: _____

ABSTAIN BOARD MEMBERS: _____

Chair of the SBWMA

ATTEST:

Clerk of the SBWMA Board of Directors



A Public Agency

Attachment B
Implementation Schedule

<u>Date</u>	<u>Activity</u>
March 27, 2014	<ul style="list-style-type: none"> Board approval of Ordinance; first reading.
April 2014	<ul style="list-style-type: none"> Develop initial list of commercial recycling haulers.
April 24, 2014	<ul style="list-style-type: none"> Second reading of Ordinance; approval finalized.
May - June 2014	<ul style="list-style-type: none"> Develop the protocol and procedures to implement the Ordinance, including: application and reporting formats, registration and reporting review process, enforcement process, outreach strategy and needs. Establish registration fee. Develop software to facilitate online application and reporting compliance.
July - August 2014	<ul style="list-style-type: none"> Test online application and reporting system with several stakeholders. Refine application and reporting system. Develop and produce outreach tools and design changes to website. Begin outreach activities.
September - October 2014	<ul style="list-style-type: none"> Continue outreach effort. Update website with information on the reporting system and commence accepting registrations. Include hauler best practices information on website. Conduct stakeholder meetings with haulers and chambers of commerce.
November – December 2014	<ul style="list-style-type: none"> Continue outreach effort. Provide assistance to haulers in completing registrations and submitting sample reports.
January 1, 2015	<ul style="list-style-type: none"> Effective date of Ordinance. Registration deadline for applicants.
January - April 2015	<ul style="list-style-type: none"> Conduct outreach to facilitate haulers to register.
April 30, 2015	<ul style="list-style-type: none"> 1st Quarter 2015 Report(s) due (Jan-Feb-Mar)
May 2015 - ongoing	<ul style="list-style-type: none"> Assess compliance. Pursue enforcement as needed. Compile data. Make adjustments to system as needed.
July 30, 2015	<ul style="list-style-type: none"> 2nd Quarter 2015 Report(s) due (Apr-May-June)
October 30, 2015	<ul style="list-style-type: none"> 3rd Quarter 2015 Report(s) due (July-Aug-Sept)
January 30, 2016	<ul style="list-style-type: none"> 4th Quarter 2015 Report(s) due (Oct-Nov-Dec)



STAFF REPORT

To: SBWMA Board Members
From: Kevin McCarthy, Executive Director
Marshall Moran, Finance Manager
Date: March 27, 2014 Board of Director's Meeting
Subject: Review of Unrestricted Cash Reserve Policy

Recommendation

This staff report is for discussion purposes only and no formal action is requested of the Board of Directors. The current cash reserve policy can be found in **Attachment A**.

Analysis

The current cash reserve policy encompasses three designated reserve accounts as follows:

- **Rate Stabilization Reserve Account** of up to a maximum of ten (10%) percent of budgeted operating expenses, exclusive of pass through expenses that are 100% offset by revenue from the same sources (e.g., Shoreway buyback payments to customers and door to door HHW collection expenses).
- **Emergency Reserve Account** of up to a maximum of ten (10%) percent of budgeted operating expenses, exclusive of pass through expenses that are 100% offset by revenue from the same sources. This reserve account shall be funded only after the Rate Stabilization Reserve is funded up to the maximum level.
- **Equipment Replacement Reserve Account** for a 12 year cost replacement schedule, inclusive of an annual CPI adjustment, for the Shoreway MRF single stream processing equipment.

The Rate Stabilization Reserve estimated balance for FY14 is approximately \$3.8 million. The purpose of the reserve is to set aside funds to minimize Transfer Station rate increases resulting from significant one-time revenue shortfalls (e.g., commodity price decreases, loss of tipping fee revenues due to short or long-term closure of the Shoreway facility, etc.). Historically, this reserve has been used to address significant drops in commodity prices such as the market collapse in the fall of 2008. This collapse resulted in a \$3.56 million drop in commodity revenue during FY09. Staff made a revenue transfer from this reserve of \$1.7 million in FY09 and a \$3 million revenue transfer for calendar year 2009 to primarily address this shortfall so that the bond covenant requirements could be met.

The Emergency Reserve estimated balance for FY14 is also approximately \$3.8 million. The purpose of the fund is to address limited capital needs or significant one-time increases in Shoreway operating expenses associated with "damage by natural disasters, acts of war or terrorism, or other community emergency scenarios that are not covered by existing insurance policies." Notably, we currently do not have coverage for damage from a seismic event, flood damage, and damage caused by an act of terrorism. Seismic coverage is reviewed annually but has been declined by the Board due to the high cost (i.e., last quote was \$450,000 per year with a 10 percent deductible). We do maintain coverage for fire; natural gas explosion; a plane crashing into our property; and weather related damage from wind, lightning, or a severe storm.

The **Equipment Replacement Reserve** is a sinking fund that is funded annually and then drawn down as monies are needed for major capital repairs, and eventually for partial replacement of the single stream processing system within the Material Recovery Facility (MRF). The Equipment Replacement Reserve covers the expected equipment replacement costs after the assumed 12-year depreciable life of the single stream processing equipment installed in 2011 plus any "significant one-time equipment repair (wear parts) costs not covered in our Shoreway capital budget." Per the Operations Agreement with SBR, the SBWMA is responsible for any repair expenses to stationary equipment when the repair for a single item exceeds \$10,000.

Background

The current cash reserve policy was approved at the May 23, 2013 Board Meeting to reflect more clarity in defining the purpose and use of each reserve account. Key changes were made to the reserve policy as follows:

- Maintained two previous reserve accounts (Rate Stabilization Reserve and Equipment Replacement Reserve) and replaced the Operating Reserve with an Emergency Reserve Account.
- Changed the priority order of the accounts so the Rate Stabilization Reserve is first in priority followed by the Emergency Reserve.
- Excluded certain operation expenses (i.e., Shoreway buyback payments to customers and door to door HHW collection expenses) in the calculation of the fund levels for each account (i.e., up to maximum of 10% of Operating Expenses) for the Rate Stabilization Reserve and the new Emergency Reserve.

The reserve policy was originally based on a review of reserve policies at our Member Agencies which the SBWMA tried to emulate as practical for our business. In 2013, the Board formed an adhoc subcommittee to review the policy. Staff also reviewed reserve policies in place at other solid waste JPAs (see **Attachment B**).

Fiscal Impact

There is no direct fiscal impact from maintaining the reserve policy other than its intended use if needed when an emergency occurs or commodity prices decline. A change in the reserve policy could have a one-time impact to tip fees at Shoreway if the reserves are increased or decreased.

The table below shows the fiscal year 2013 audited reserve balances and the FY2014 budget balance (note the total decrease from FY2013 to FY2014 is due to the payoff of the City of Burlingame B bond):

Unrestricted Reserves Balances		
	<u>FY 2013</u>	<u>FY 2014 Bud</u>
Rate Stabilization Reserve	3,032,613	3,822,605
Emergency Reserve	3,032,613	3,822,605
Equipment Replacement	823,757	1,130,726
Undesignated	3,940,277	426,572
Total Unrestricted Reserves	10,829,260	9,202,508
<u>Committed:</u>		
2009 A Bond Repayment	958,333	1,004,167
2009 B Note Repayment	3,000,000	-
Total General Reserves	\$ 14,787,593	\$ 10,206,675

Attachments:

- Attachment A - Current Cash Reserve Policy
- Attachment B - Summary of Other Solid Waste JPA Cash Reserve Policies

ATTACHMENT A
Current Reserve Policy

After meeting all debt service obligations of the SBWMA, the following designated reserve accounts shall be funded:

Rate Stabilization Reserve Account of up to a maximum of ten (10%) percent of budgeted operating expenses, exclusive of pass through expenses that are 100% offset by revenue from the same sources (e.g., Shoreway buyback payments to customers and door to door HHW collection expenses). These funds are available to help minimize Transfer Station rate increases resulting from significant one-time revenue shortfalls (e.g., commodity price decreases, loss of tipping fee revenues due to short or long-term closure of the Shoreway facility, etc.).

Emergency Reserve Account of up to a maximum of ten (10%) percent of budgeted operating expenses, exclusive of pass through expenses that are 100% offset by revenue from the same sources (e.g., Shoreway buyback payments to customers and door to door HHW collection expenses). This reserve account shall be funded only after the Rate Stabilization Reserve is funded up to the maximum level.

This fund is available to make limited capital repairs and reconstruct the Shoreway facility buildings and infrastructure that may be damaged by natural disasters, acts of war or terrorism, or other community emergency scenarios that are not covered by existing insurance policies. Such capital expenses would be those that could not be funded through an existing capital budget or those not reimbursable through insurance coverage. This fund is also available to cover significant one-time increases in operating expenditures associated with above said scenarios.

Equipment Replacement Reserve Account for a 12 year cost replacement schedule, inclusive of an annual CPI adjustment, for the Shoreway MRF single stream processing equipment. This reserve would also be available to fund any significant one-time unanticipated equipment repair (wear parts) costs not covered in our Shoreway capital budget.

Fund levels will be approved each year as part of the adoption of the fiscal year budget. During the budget process, projected net cash flow, reserve balances, and debt covenants are considered when budgeting Shoreway tip fees. Excess cash flow is minimized by adjusting tip fees to cover operating expenses and fund reserve balances.

It is important to note that the first two funds are basically static funds with minimal annual changes which are based on fluctuations in the annual operating budget. Ten percent is not added each year – this is the fixed limit. The third fund is a cumulative fund as cash is added each year to reach the total amount needed at the end of the twelve year replacement period.

If after all reserve levels are funded up to their maximum levels and tip fees are budgeted, surplus cash may be available. The adopted budget will include specific guidance on the use of such surplus cash with a goal of utilizing the monies for one-time expenditures, non-recurring costs, or funding an undesignated reserve account.

ATTACHMENT B

Summary of Other Reserve Policies

Sunnyvale SMaRT Station

1. Equipment replacement reserve based on replacement life of equipment plus CPI.
2. Don't have a specific operations reserve. The City of Sunnyvale maintains its own "Contingency Reserve" within its Solid Waste Fund. The reserve is set at **10% of operations expenses** (i.e., their franchised haulers costs, disposal and processing costs and landfill closure costs).

Monterey Regional Waste Management District

1. **20% of cash operating expenses** to address contingencies for unexpected expenses. The district runs all operations including a landfill, processing operations, HHW, etc.
2. Rae stabilization/Unfunded Mandates fund set at **\$200,000**.
3. Facility Plan/Capital Outlay.

Salinas Valley Solid Waste Authority

1. Operating reserve at **15% of current year operating expenditures** to provide sufficient reserves for emergencies, non-recurring expenditures, revenue shortfalls or major capital purchases that can't be accommodated through any current year savings.
2. Undesignated fund balance of **10% of current year operating expenditures (maintenance and operation expenditures only)**. If after annual audit, the undesignated fund balance exceeds 10%, the excess will be allocated to reserves in the following priority:
 - i. Insurance retention reserves
 - ii. Operating reserve
 - iii. Capital projects reserve
3. Capital projects reserve for the purpose of funding future capital projects. After fulfilling all insurance and operating reserve requirements and undesignated funds above 10% will be allocated to the Capital projects reserve.



STAFF UPDATE

To: SBWMA Board Members
From: Hilary Gans, Operations Contracts Manager
Cliff Feldman, Recycling Programs Manager
Date: March 27, 2014 Board Meeting
Subject: Staff Overview of Recology and SBR 2013 Annual Reports

Recommendation

This is an informational report and no action is necessary. Recology and SBR will also be making presentations on their Annual Reports.

Analysis

The Annual Reports for calendar year 2013 were submitted on time by Recology San Mateo County (Recology) and South Bay Recycling (SBR).

Overview of Recology 2013 Annual Report

The Recology Annual Report is required to consolidate all of the Garbage, Recycling and Compost materials collected data provided in the Monthly and Quarterly reports. This includes the complete reporting of tonnage by material type in total and by Member Agency. The report also includes the year-end tabulation of Liquidated Damages, Performance Incentives and Disincentives, Customer Call Center data, Commercial Recycling Program activity metrics, Operational Information, Review of Contractor's Billings, Customer Service Plan for the next year, and the company's Climate Action Report.

Please note that while all of the information provided in the Recology Annual Report is by and large self-reported by the company, due to the financial implications of many figures the SBWMA audits the reported data. The Liquidated Damages and Performance Incentives/Disincentives figures reported by Recology have not yet been audited; however, the numbers provided for 2012 reflect the unaudited reported numbers and the audited/adjusted numbers used in the Recology 2014 Compensation Application approved by the Board on September 26, 2013.

1. Compliance

Liquidated Damages – Recology reported a total of \$13,400 in Liquidated Damages for 2013 (\$4,500 reported for 2012 and adjusted to \$29,950). **Table 1** provides the types of liquidated damages reported and the total amount of damages due to the Member Agencies. The Member Agencies should receive payment directly from Recology for the reported Liquidated Damages.

Table 1

<u>Liquidated Damage Type</u>	<u>2013 Annual Report</u>	<u>2012 Annual Report</u>	<u>2012 Adjusted per Audit</u>
Complaints regarding collection hours., damage to private property and failure to resolve claims	\$2,100	\$1,050	\$6,000
Complaints regarding improper container placement	\$500	\$0	\$0
Complaints regarding unacceptable employee behavior	\$7,750	\$250	\$16,750
Complaints regarding spills of discards and failure to clean up	\$50	\$0	\$0
Complaints regarding leaks/spills of vehicle fluids	\$3,000	\$3,000	\$7,000
Failure to provide new service change within 5 days	\$0	\$100	\$100
Failure to remedy complaints within 10 days	\$0	\$100	\$100
Total	\$13,400	\$4,500	\$29,950

Performance Incentives and Disincentives – Recology reports a net Performance Incentive payment due to the company of \$260,210.09. The approved incentive payment in 2012 was \$493,121. **Table 2** provides a list of the Performance Incentive and Disincentive payments. The payment of Performance Incentives and Disincentives will be included in the company's 2015 Application for an Adjustment to Compensation (i.e., 2015 rates) due to the SBWMA and Member Agencies on June 13, 2014.

Table 2

<u>Performance Incentive/Disincentive</u>	<u>2013 Annual Report Payment Due to Recology</u>	<u>2012 Approved Payment to Recology</u>
Missed Pick-up Events	\$7,800 for 156 events	\$2,050 for 41 events
Average Speed of Answer	(\$10,360)	(\$6,006)
Overall Diversion	(\$257,650.09)	(\$489,165)
Total	(\$260,210.09)	(\$493,121)

Negative number in parentheses denotes incentive payment to Recology.

Review of Customer Billings – Recology reports that it complied with the billing review requirements prescribed in the Franchise Agreement(s) and 39,912 accounts were physically audited in 2013 (34,375 in 2012). The billing review results are currently being audited by Staff.

Customer Service Plan – This plan describes the tasks of the customer service call center staff and supervisor, their training strategy and the company's strategies to attract and retain customer service representatives. **Table 3** below provides the results of three website related metrics reported. Recology reports no changes to its computer systems or training activities for 2013 (same as 2012) and no planned changes for 2014 (also same as prior year).

Table 3

<u>Website Metric</u>	<u>2013 Annual Report</u>	<u>2012 Annual Report</u>
E-Bill Payments	85,354	70,888
Online Phone Payments	9,320	8,421
Bulky Items Collection Events scheduled	3,111	1,621
Extra Garbage Service Requests	200	23
Extra Recycle/Compost Service Requests	214	26
Service Change Requests	346	185
Complaints Resolved	360	266

Climate Action Report – Recology’s Climate Action Report provides the year-end results of the company’s greenhouse gas related emissions. The company reports that Biodiesel usage accounted for 99+% of total emissions for 2013, similar to 2012. **Table 4** provides the results of the greenhouse gas related metrics reported. The electric meter for Recology’s operation is shared with SBR, thus SBR provided Recology an electric consumption estimate for 2013; however, this metric was not reported in 2012.

Table 4

<u>Metric Reported</u>	<u>2013</u>	<u>2012</u>
Biodiesel	9,731.897 MTCO ₂ E	9,433.258 MTCO ₂ E
Gasoline	86.245 MTCO ₂ E	96.810 MTCO ₂ E
Certified Natural Gas	5.729 MTCO ₂ E	0.134 MTCO ₂ E
Fleet Air Conditioning	102.775 MTCO ₂ E	201.96 MTCO ₂ E
Total Emissions	10,214.86 MTCO ₂ E	10,841.60 MTCO ₂ E
Electricity Usage	424,176 kWh or 191.628 MTCO ₂ E	Not reported.

MTCO₂E = Metric Tons Carbon Dioxide Equivalent

2. Operational Overview

Collection Services – Recology reports operating a total of 120 vehicles providing service to Single-Family, Multi-Family, Commercial and Member Agency facilities. **Table 5** provides a summary of some major operational statistics reported by the company.

Table 5

<u>Metric Reported</u>	<u>2013 Annual Report</u>	<u>2012 Annual Report</u>
Single-Family Accounts	93,819	94,078
Multi-Family and Commercial Accounts	10,479	10,517
Member Agency Facility Accounts	563	565
Total Routes	123	120
Route Labor Hours	243,133.43	256,202.19

Overview of SBR 2013 Annual Report

In its Annual Report, SBR is required to provide a complete reporting of tonnage by material type; commodity marketing results; and events, activities and changes in operations throughout the year. SBR has also provided a description of the three main areas of services that it performs for the SBWMA: MRF operations and materials marketing, transfer station operations, and material transportation.

In addition to its role in monitoring daily activities at the Shoreway Center, SBWMA staff has reviewed the monthly and annual reports provided by SBR and has provided a compliance and operational overview of the services provided in 2013 below.

1. Compliance

Operational Obligations – SBR has provided reliable and uninterrupted materials handling services at the MRF, at the transfer station, and has transported materials from these facilities to the off-site processing and disposal locations without issue throughout 2013.

Scale Operation, Payment, and Reporting Obligations – SBR has operated the Shoreway scale system accurately, has collected payments from self-haul customers and remitted these funds to the SBWMA without issue throughout 2013. The monthly reporting of tonnage into and out of Shoreway is complex and SBWMA staff has spent a considerable amount of time reviewing and working with SBR to correct their monthly tonnage reports. The reporting of commodity revenue in particular has required many corrections and adjustments throughout the year. SBR was very cooperative in making the necessary corrections. Their monthly invoice to the SBWMA for services has also been error-prone in the tonnage reported and other items. SBWMA staff has spent a great deal of effort over the year to ensure that tonnage is properly reported, that the SBWMA receives appropriate commodity revenue, and that the compensation paid to SBR is correct. SBR's annual compensation adjustment application for 2014 was submitted without any major issues and the review by SBWMA went smoothly.

Other Contractual Obligations – There are numerous contractual obligations contained in the Operations Agreement that are monitored throughout the year by SBWMA staff. During 2013, SBR had no contractual violations, liquidated damages, or contract breaches.

Regulatory Compliance - There are several Federal and State regulatory agencies that oversee environmental, health, and safety compliance for SBR's operations at the Shoreway Center. SBR has reported receiving no violations during year 2013 from any regulatory agency.

2. Operational Overview

MRF Operations – SBR has maintained a high level of diversion (~93%) for franchise single stream recyclables processed at the MRF. The recovered materials were marketed by SBR and sold for total revenue of \$10,564,083 which is \$1,286,520 more than prior year -- this increase was the result of slightly higher commodity values and tonnages sold over prior year. SBR has satisfactorily maintained the single stream processing equipment, the MRF building and has kept the building and perimeter area clean. For 2013, the public recycling center (PRC) volumes were 1,467 in 2013 compared to 1,480 in 2012.

Transfer Station Operations – SBR has inspected and cleaned the organics and C&D materials to meet the specifications of the off-site processors and no loads were rejected in 2013. SBR's self-haul diversion efforts have been significantly hampered by a change in C&D material specification at Zanker Road that resulted in a 37% decrease in diversion over prior year (32,488 tons in 2013 compared to 44,820 in 2012). SBR did not improve on the hand-sorted level of recovery at the transfer station i.e., recycling of scrap metal, mattresses, and other reusable items from self-haul loads (1,053 tons in 2013 compared to 1,059 tons 2012). SBR has satisfactorily maintained the transfer station building and has kept the building, tunnels and perimeter area clean.

Transportation – With roughly 14,200 truck-trips, SBR transported 355,301 tons of trash, organics, and C&D from the transfer station. By consistently achieving average payloads in excess of 25 tons per load (well above the industry average) SBR has helped reduce adverse impacts of truck traffic and fuel consumption. No truck accidents were reported by SBR in 2013.

Other - SBR has been very helpful in their support of special events and of the tours program at Shoreway (e.g., Earth Day, 2-million Tons event, Night at Shoreway, etc.). SBR has also assisted and worked cooperatively with SBWMA staff in the repair and maintenance projects routinely conducted on the Shoreway buildings and equipment.

Background

Article 9 (Record Keeping and Reporting) of the Franchise Agreements between Recology and the Member Agencies prescribes the content requirements and timing of submittal of the company's Annual Report. Article 9, Section 9.06 of the Operations Agreement between the SBWMA and SBR requires the SBR to submit an Annual Report

Attachments:

Attachment A – [Recology 2013 Annual Report](#)

Attachment B – [SBR 2013 Annual Report](#)



Presentation Item Only:

Contractor Presentations on 2013 Annual Reports

Agenda Item 7D

Presentation Item only, no report.

Contractor Annual Reports - Presentation Item Only